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## *Manual*

<b>Title:</b>	Control of Property in the Possession of Contractors
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This Manual defines the roles and responsibilities for the control and maintenance of property in the possession of contractors.

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# [1. REFERENCE](#)

For policy and responsibility regarding control and maintenance of property in the possession of contractors, see Directive 226.1.

## 2. BACKGROUND

The management and control of Government property has been established by Federal Acquisition Regulation Part 45, Government Property, Federal Property Management Regulations, and Agricultural Research Service DIRECTIVES. This MANUAL implements those regulations which relate to the use of Government- furnished and Contractor-acquired equipment by contractors.

## 3. RESPONSIBILITIES

**The Equipment, Utilities, and Property Branch, Contracting and Assistance Division, will:**

- Make distribution of this MANUAL to Contracting Officers, Contracting Officers' Representatives, Agricultural Research Service property managers, and appropriate offices.
- Revise and distribute changes and additions to the MANUAL.
- Receive and process requests for changes and updates for this MANUAL.

NOTE: Employees with a special need should send a memorandum to the Equipment, Utilities, and Property Branch explaining the need.

- Maintain a current distribution list of all offices who receive this MANUAL.

**The responsible Contracting Officers** will distribute this MANUAL to contractors having possession of Government property.

JANE L. GILES  
Deputy Administrator  
Administrative Management

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## SECTION I

### INTRODUCTION

## 1. GENERAL

The purpose of this Manual is to define the roles and responsibilities associated with the administration of Government real and personal property in the possession of contractors. The information included in this Manual references the requirements of the Federal Acquisition Regulation (FAR) Part 45, Government Property, and the Federal Property Management Regulation, Section 101, Motor Equipment Management of Title 41. The Manual addresses aspects of property management related to inventory, utilization, accountability, maintenance, disposal, and liability. The information in the Manual does not supersede specific requirements of the contract. The Property Administrator, through the Contracting Officer, is responsible for assuring the property administration function is performed by the contractor.

## 2. DEFINITIONS

**Accessory Item** is an item which facilitates or enhances the operation of capitalized equipment, but is not essential to its operation; for example, remote control devices.

**Capitalized Equipment** means personal property with an acquisition cost of \$1,000 or more.

**Contracting Officer** is the duly authorized official responsible for the overall administration of the subject contract from start to finish. This includes interpretation of terms and conditions, specifications, and final decisions on all contractual matters, and responsibility for ensuring that funds obligated are not exceeded and for finalizing all changes by issuing appropriate modifying documents.

**Contractor Inventory** is any property acquired by and in the possession of a contractor or subcontractor (including Government furnished property) under a contract pursuant to the terms of which title is vested in the Government.

**Government personal property** means all property provided at the Government's expense for performance of a contract, regardless of the method by which it is provided, including rented or leased personal property.

- **Government-furnished property** means property in the possession of or directly acquired by the Government and subsequently made available to the contractor for use in the performance of the contract.
- **Contractor-acquired Government property** means property acquired or otherwise provided by the contractor for performance of a contract and to which the Government has title or the right to take title under the contract terms.

**Sensitive equipment** means sensitive personal property valued at less than \$1,000 which is highly susceptible to loss, theft or damage.

**Property Administrator** is the designated representative of the Contracting Officer and will be identified in the contract. The Property Administrator administers the contract requirements and obligations relative to Government property. If an authorized representative has not been designated as the Property Administrator, the Contracting Officer is the Property Administrator.

**Real Property** consists of buildings, grounds, improvements, structures, and features permanently installed in, or attached to facilities.

**Salvage** is property which, because of its worn, damaged, deteriorated condition, or specialized nature is not serviceable without major repairs or alterations, but has some value in excess of its scrap value.

**Scrap** is property that has no commercial value except for the recovery sale of its basic material content.

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## SECTION II

### Contractor Responsibility

#### 1. GENERAL

Contractors are responsible for all government property provided under the provisions of a contract, regardless of value, from the time of receipt through final disposal of each property item as directed by the Contracting Officer. This includes Government property provided to or in the possession or control of a subcontractor. The contractor's responsibilities are outlined in FAR Subpart 45.502, Contractor responsibility.

## **2. DESIGNATION OF PROPERTY ADMINISTRATOR**

The contract will provide the contractor with the name and location of the Property Administrator. The Property Administrator will administer the contract requirements and obligations related to the property function and is responsible for all Government property administration from acquisition to final disposal.

## **3. PROPERTY CONTROL SYSTEM**

The Property Administrator will review the contractor's property control system to determine if the system is in compliance with Government regulations and contract terms to ensure that the property is adequately protected, maintained, utilized and accounted for. An acceptable property control system must identify all types and classes of property and address any specific provisions as stated in the contract. The Property Administrator will recommend acceptance or notify the Contracting Officer that the system is not in compliance with the FAR or contract requirements. The Contracting Officer will issue approval or notify the contractor of the deficiencies. If the deficiencies are not corrected within the specified time, the Property Administrator will recommend disapproval of the contractor's property control system by the Contracting Officer. The contractor's liability for loss of or damage to Government property may increase if approval is withheld or withdrawn.

## **4. RECEIPTS OF GOVERNMENT PROPERTY**

Immediately upon receipt of any Government-furnished property, the contractor shall sign and return the Government transfer document to the Property Administrator as required in FAR 45.502-1. The guidelines for contractor-acquired property are also outlined in this section of the FAR.

## **5. DISCREPANCIES INCIDENT TO SHIPMENT**

- **Government-furnished property.** Immediately upon receipt, the contractor will provide a written statement to the Property Administrator identifying the condition and apparent cause of any overages, shortages, or damages to Government-furnished property or if the property is unusable for any reason.
- **Contractor-acquired property.** The contractor shall take whatever actions are necessary to adjust overages, shortages, or damages occurring during shipment of contractor-acquired property directly with the vendor or supplier. If the property is shipped by Government bill of lading or there is evidence of carrier liability, report the discrepancy in accordance with the same procedures described for Government-furnished property above.

## **6. CONTRACTOR'S LIABILITY**

Subject to the terms of the contract, the contractor may be liable for Government property in their possession or control. The specific requirements for reporting shortages, losses, damages, or destruction of Government property are addressed in FAR, Subpart 45.504, Contractor's liability.

## **7. SEGREGATION OF GOVERNMENT PROPERTY**

Provisions shall be made to keep Government property segregated from contractor-owned property. Commingling of Government- and contractor-owned property may be allowed only when the segregation of the property would materially hinder the progress of the contract. Control procedures must be established to adequately identify Government property. Commingling of Government property with contractor-owned property must be approved in advance by the Property Administrator.

## **8. RELIEF FROM RESPONSIBILITY**

The contractor shall maintain records and account for all Government property until relieved of that responsibility as outlined in Section III, Records of Government Property, of this Manual. In addition to Section III, FAR Subpart 45.503, Relief from Responsibility, establishes specific criteria that may relieve contractors of the responsibility for Government property.

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# **SECTION III**

## **RECORDS AND REPORTS OF GOVERNMENT PROPERTY**

### **1. GENERAL**

The contractor is responsible for establishing and maintaining adequate property control records for all Government property provided under a contract, including records for Government property provided to or in the possession or control of a subcontractor. The specific requirements for property control records are outlined in FAR, Subpart 45.505, Records and reports of Government property.

### **2. BASIC INFORMATION**

The property records must provide the following information for every item of Government property in the contractor's possession (other subsections of FAR 45.505 require additional information for specific categories of Government property):

- Item description
- Property identification number
- Manufacturer's name
- Manufacturer's model number and serial number
- Actual cost of the item
- Acquisition date
- Contract number
- Government-furnished or contractor-acquired
- Maintenance cost
- Current location
- Condition code

### **3. AUDIT OF RECORDS**

The contractor shall maintain the Government's official property records unless the contract cites FAR clauses which relieve the contractor of that responsibility. The records should provide a complete, current, and auditable record of all transactions. The records must be accessible to authorized Government personnel to review as frequently as conditions warrant.

### **4. UNIT PRICING**

The unit price for each item of Government property shall consist of the acquisition cost and the cost of any components, and shall be included as part of the information maintained in the contractor's property control system. FAR Subpart 45.505-2, Records of pricing information, provides the specific unit pricing requirements for various types of Government property.

## **5. RECORDS OF MATERIAL**

All Government property furnished to the contractor shall be recorded in the contractor's property control system in accordance with the provisions provided in FAR Subpart 45.505-3, Records of material.

## **6. RECORDS OF SPECIAL TOOLING AND SPECIAL TEST EQUIPMENT**

The contractor's property control system shall provide the basic information listed in FAR 45.505(e) regarding each item of Government-owned special tooling and special test equipment. This property includes any general purpose test equipment incorporated as components in such a manner that removal and reuse may be feasible and economical.

## **7. RECORDS OF REAL PROPERTY**

Control records for all Government real property, including alterations and construction work will include an itemized record of the description, location, acquisition cost, and disposition. These records must include maps, drawings, plans, specifications and supplementary data. They must include the original cost of the property and improvements, and the cost of changes and additions. FAR Subpart 45.505-7, Records of real property, addresses the additional requirements that must be included in the contractor's property control records.

## **8. RECORDS OF SCRAP AND SALVAGE**

Records of all scrap and salvage generated in the performance of the contract must be maintained unless the Property Administrator has determined that such records are not necessary. These records will conform to the contractor's established system of scrap and salvage control approved by the Property Administrator and provide the following information:

- Contract number or equivalent code designation from which the scrap or salvage derived.
- Nomenclature or description of salvable items or classification (material content) of scrap.
- Quantity on hand.
- Posting reference and date of transaction.
- Disposition.

## **9. RECORDS OF RELATED DATA AND INFORMATION**

The contractor shall maintain property control and accountability of manufacturing or assembly drawings, installation, operation, repair or maintenance instructions, and other similar data and information furnished to the contractor by the Government or acquired by the contractor under the contract and for which title vests in the Government. The other property control requirements set forth in this Manual are not applicable to such property unless specified in the contract or required by the Property Administrator.

## **10. RECORDS OF COMPLETED PRODUCTS**

The contractor shall maintain a record of all completed products produced under the contract, as prescribed in FAR Subpart 45.505-10, Records of completed products.

## **SECTION IV**

### **IDENTIFICATION**

#### **1. GENERAL**

The contractor shall identify, mark, and record all capitalized and sensitive items of equipment promptly upon receipt and shall maintain this identification as long as such property remains in the custody, possession, or control of the contractor. The requirements and exemptions for identifying Government property are cited in FAR, Subpart 45.506, Identification. The identification process shall comply with the provisions of Section III paragraph B, Basic Information.

#### **2. SENSITIVE PROPERTY ITEMS**

Sensitive items are property items that are highly desirable and easily converted to personal use. Special efforts must be made to control and protect these items. The contractor shall contact the Property Administrator for a list identifying sensitive property items.

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## **SECTION V**

### **PHYSICAL INVENTORIES**

#### **1. GENERAL**

An annual physical inventory must be conducted on all Government property in the possession or control of a contractor. The contractor, with the approval of the Property Administrator, shall establish the type and procedures for conducting the inventory. The inventory must include government property items acquired, furnished, rented and/or leased that are provided to contractors. Contractor employees who conduct the inventories shall not be the same individuals who maintain the property records.

#### **2. SUBCONTRACTOR INVENTORY**

The prime contractor must submit a consolidated report of all Government property including subcontractor inventory under the terms of the contract. Subcontractors should report their inventories to the prime contractor.

#### **3. RECONCILIATION OF INVENTORY**

The contractor shall reconcile the inventory with the official property records. A listing of all discrepancies disclosed during the inventory reconciliation shall be submitted to the Property Administrator explaining all the related circumstances, including actions taken to locate the property. The listing shall contain the property identification number, description, and unit cost of the item.



#### **4. MISSING, STOLEN OR DAMAGED PROPERTY**

The Property Administrator must be notified of any loss, damage to, or destruction of Government property in the contractor's possession or in the possession or control of a subcontractor. The contractor is required to investigate and report the circumstances of each incident and to ensure measures are taken to prevent recurrence. The report must include all known facts and circumstances of the case, and include the following information:

- Description of item(s) missing, stolen, damaged, or unreasonably consumed to include condition of the item before it was missing/stolen, property identification number, manufacturer's name and model number.
- Date the item was last inventoried.
- Cost of item and projected cost of repairs, for damaged property.
- The last time the item was physically seen.
- The names of individuals who used the item.
- The names of individuals who had access to the item.
- The name of the individual who discovered it was missing.
- The date and time the item was first discovered missing.
- The actions taken to try to locate the item.
- Previous similar occurrences and measures taken to prevent future occurrences.
- Other facts or circumstances relevant to determination of liability and responsibility for repair or replacement.

Any loss due to theft or suspected theft must be reported immediately to the local police and the Federal Bureau of Investigation (FBI). (Check the U. S. Government listings in your telephone directory for the telephone number of the nearest FBI office). The contractor is responsible for providing a copy of the full police report to the Property Administrator and the Contracting Officer.

Contractors may be liable when Government property is missing, damaged or stolen, or when there is evidence of negligence, improper or unreasonable consumption of Government property subject to the terms of the contract. The Contracting Officer will determine the contractor's liability for loss, damage or theft.

#### **5. REPORTING RESULTS OF INVENTORY**

The contractor shall sign the statement listed below that certifies that the inventory was completed and that the official property records were found to be in agreement with the physical inventory. Appropriate documentation must be provided to address any discrepancies in the inventory. Property that is no longer required for continued contract performance must be reported and identified as such.

I certify as           (Title)           of           (Name of Contractor)           that the attached inventory reports are complete and accurately listed and describe all items of equipment and material furnished to the contractor by the Government in performance of Contract Number           (Number)          . I will provide written notice to the Contracting Officer of any change affecting these inventory reports at any time prior to final disposition of the inventory.

\_\_\_\_\_  
Full Name

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Date

## **6. RECORDS OF INVENTORIES**

Appropriate inventory records and reports shall be maintained by the contractor and will serve as a basis for: (a) effecting maximum utilization of available property, (b) prompt identification of reporting of excess property, (c) effective physical protection of property, and (d) the preparation of special and recurring reports. Full use will be made of accounting records and reports to avoid duplication.

## **7. INVENTORIES UPON TERMINATION OR COMPLETION**

Immediately upon termination or completion of a contract, the contractor and each subcontractor shall submit an inventory report adequately accounting for all Government property. This inventory report will be submitted to the Property Administrator for verification and disposition action. Reporting requirements and exceptions to this Subpart are defined in FAR Subpart 45.508-1, Inventories upon termination or completion.

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# **SECTION VI**

## **CARE, MAINTENANCE, AND UTILIZATION**

### **1. GENERAL**

The contractor is responsible for the proper care, maintenance, and use of Government property in its possession or control until relieved of this responsibility by the Contracting Officer. This includes Government property moved to storage, or its contemplated transfer or disposal.

### **2. CONTRACTOR'S MAINTENANCE PROGRAM**

Preventive maintenance is generally performed on a regularly scheduled basis in order to detect and correct unfavorable conditions or defects before they result in breakdowns and to maximize the useful life of the equipment. A scheduled maintenance program should include a recorded, systematic procedure for servicing and inspecting Government property. Maintenance should be performed in accordance with the manufacturer's recommended schedules and specifications. An effective preventative maintenance program for Government property shall be consistent with the requirements defined in FAR, 45.509, Care maintenance, and use.

### **3. UTILIZATION**

The contractor's procedures shall be adequate to assure that all Government property will be utilized only for those purposes authorized in the contract.

### **4. RECORDS OF MAINTENANCE**

The contractor shall keep records sufficient to disclose the maintenance and repair performed and associated cost for property provided under the terms of the contract.

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## **SECTION VII**

### **GOVERNMENT VEHICLES**

#### **1. GENERAL**

Contractors shall ordinarily furnish any motor vehicles needed in performing Government contracts. Government-owned or -leased motor vehicles may be provided to or acquired by the contractor when considered essential for the performance of the contract. FAR Subpart 45.304, Providing motor vehicles, prescribes the conditions under which the Government may provide vehicles to contractors. The contractors shall maintain Government vehicles in accordance with manufacturer's specifications and the terms of the warranty.

#### **2. OFFICIAL USE**

Contractors are responsible for ensuring that Government-owned or leased motor vehicles are used only for the performance of the contract. The Federal Property Management Regulation Subpart 101.38.301-1, Contractors' Use, further defines the "Official Use" of Government motor vehicles and Subpart 101.38.301-2, Violations, cites the violations of Government-owned and -leased vehicles.

#### **3. MAINTENANCE RECORDS**

The contractor must ensure that Government vehicles authorized under the terms of the contract are maintained in a safe, mechanically sound condition. The contractor's maintenance records must include the cost and type of maintenance performed, such as oil changes, tire rotations, and tune-ups. The GSA publication "Guide for the Preventive Maintenance of Motor Vehicles" provides guidance for the maintenance of Government-owned vehicles.

#### **4. ACCIDENT REPORTS**

The contractor must submit a complete accident report providing the circumstances of the accident to the Property Administrator.

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## **SECTION VIII**

# **REPORTING AND THE FINAL DISPOSAL OF CONTRACTOR INVENTORY**

## **1. GENERAL**

The contractor may not dispose of any Government property without the Contracting Officer's approval and complete written instructions from the Property Administrator. The contractor may remove Government property from its site only in accordance with those instructions. Disposal options include transfer, donation, trade-in, sale, abandonment, cannibalization, scrapping, or destruction of property. The responsibility for control of Government property remains with the contractor until final disposition. FAR Subpart 45.6, Reporting, Redistribution, and Disposal of Contractor Inventory provides the policies and procedures which, will assist the contractor in the various functions of the final close-out of Government property. In addition to the FAR, the Federal Property Management Regulations Part 101-43 Subchapter H, Utilization and Disposal provides information for the final disposition of a contractor's inventory.